



Dave Yost • Auditor of State

**REUBEN McMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reuben McMillan Free Library Association, Mahoning County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Reuben McMillan Free Library Association, Mahoning County, Ohio, as of December 31, 2013 and 2012, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2012, the Library has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 17, 2014

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Reuben McMillan Free Library Association
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

This discussion and analysis of the Reuben McMillan Free Library Association's (the Library) financial performance provides an overview of the Library's financial activities for the years ended December 31, 2013 and 2012 within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights are as follows:

- In 2013, net position of governmental activities increased \$4,419,174 or 18 percent while in 2012 the net position increased \$5,429,791 or 28 percent. So that the Library may continue its long history of being debt free it follows a practice of saving for capital projects. As such, these monies are targeted to be used to carry out major capital projects as identified in long range strategic facility plans. These include a new branch in the Tri-Lakes area completed in 2013 (a replacement for two branches in that area), a new branch Library in the Canfield area (slated for construction to begin in late 2014), a major renovation of the Main Branch as well as addressing issues at several urban city branches within the Library system all in aged condition.
- The Library's general receipts consist primarily of the Public Library Fund (PLF) and other intergovernmental and property taxes.
 - Receipts from the PLF were \$7,573,141 for 2013 or 40 percent of total receipts for the year and for 2012 were \$7,409,066 also equating to 40 percent of the total receipts for 2012. The PLF receipts for 2012 and the first six months of 2013 were set at 95% of 2011 levels less a reduction of \$5 million from the PLF to fund the Library for the Blind and the OPLIN Technology Fund. Beginning with July of 2013 the PLF was set at 1.66% of state general revenue fund (GRF) tax revenue. Also affecting the PLF is the over haul of the taxing structure in Ohio that occurred in 2013, the impact of which is still unfolding. This will be pertinent to the PLF receipts given it is a based upon state GRF tax receipts.
 - The Library received property tax receipts from a 1.8 mill and 1 mill levy. For 2013 the amount received from these was \$9,199,333 while for 2012 levy proceeds were \$9,142,787. In both years these revenues represented 49 percent of total receipts for the year.
- The Library has two labor unions and negotiated new contracts with both during 2013. The contract with the Clerical/Maintenance/Technical Service Employees International District 1199 covers the period of May 1, 2013 through April 30, 2016 while the contract with Public Librarians Association of Youngstown Service Employees International Union District 1199 is effective from October 1, 2013 through March 31, 2016.
- Executive Director Carlton A. Sears left the Library in July of 2012 to pursue his interests as a Consultant/Coach with the Harwood Institute. Mr. Sears began his tenure with The Reuben McMillan Free Library Association in February of 1997 and provided great leadership to the Library and the community. Heidi M. Daniel started as the new Executive Director of the Library on July 18, 2012 after being unanimously appointed by the Board of Trustees.

Reuben McMillan Free Library Association
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Statement No. 34 as applicable to the Library's modified cash basis of accounting.

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting per the Auditor of State Bulletin 2005-002 and GASB Statement No. 34. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Library as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2013 and 2012, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

Reuben McMillan Free Library Association
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

These statements report the Library's cash position and the changes in cash positions. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well, such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and PLF.

The Statement of Net Position and the Statement of Activities are comprised of governmental activities only:

Governmental Activities - All of the Library's basic services are reported here. PLF support and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money is restricted as to how it may be used, and is being spent for the intended purpose. The funds of the Library are classified as governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2013 compared to 2012 and 2012 compared to 2011 on a modified cash basis:

(Table 1)
Net Position

	Governmental Activities		
	2013	2012	2011
Assets			
Cash and Cash Equivalents	\$ 9,208,520	\$ 8,933,289	\$ 8,374,518
Investments	19,759,364	15,615,421	10,744,401
Total Assets	\$28,967,884	\$24,548,710	\$19,118,919
Net Position			
Unrestricted	\$28,967,884	\$24,548,710	\$19,118,919
Total Net Position	\$28,967,884	\$24,548,710	\$19,118,919

Reuben McMillan Free Library Association
Management's Discussion and Analysis
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Unaudited

As mentioned previously, in 2013 net cash position increased \$4,419,174 or 18 percent while in 2012 the net position increased \$5,429,791 or 28 percent. The Building and Repair Funds are presently earmarked to assist in financing capital projects identified in the Library's Strategic plan which include:

- A major renovation to the Main Branch facility that saw its last renovation 20 years ago.
- A renovation of the Boardman Branch Library that was built over two decades ago.
- A new Canfield Branch library that has been in the planning for the past decade.
- Addressing issues with several of the urban area branches the newest of which was built in 1977.

Table 2 reflects the change in net position in 2013 and 2012. A comparative analysis of government-wide data has been presented for 2013 compared to 2012 and 2012 compared to 2011.

(Table 2)
Changes in Net Position

	Governmental Activities for 2013	Governmental Activities for 2012	Governmental Activities for 2011
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 256,474	\$ 272,535	\$ 236,325
Operating Grants and Contributions	17,396	-	52,551
Capital Grants and Contributions	25,661	8,426	35,369
Total Program Receipts	299,531	280,961	324,245
General Receipts:			
Property and Other Local Taxes	9,199,333	9,142,787	9,354,539
Public Library Fund	7,573,141	7,409,066	7,855,274
Grants and Entitlements not Restricted to Specific Programs	1,436,774	1,427,924	1,572,803
Earnings on Investments	94,078	86,570	117,892
Miscellaneous	103,854	137,364	115,574
Total General Receipts	18,407,180	18,203,711	19,016,082
Total Receipts	18,706,711	18,484,672	19,340,327
Disbursements:			
Library Services:			
Public Services and Programs	6,275,694	6,128,848	6,186,809
Collection Development and Processing	2,282,769	2,083,939	1,932,823
Support Services:			
Facilities Operation and Maintenance	1,842,978	1,832,604	1,782,228
Information Services	267,738	277,501	260,075
Business Administration	1,625,540	1,538,836	1,592,616
Capital Outlay	1,992,818	1,193,153	375,861
Total Disbursements	14,287,537	13,054,881	12,130,412
Increase/(Decrease) in Net Position	4,419,174	5,429,791	7,209,915
Net Position, Beginning of Year	24,548,710	19,118,919	11,909,004
Net Position, End of Year	\$ 28,967,884	\$ 24,548,710	\$ 19,118,919

Reuben McMillan Free Library Association
Management's Discussion and Analysis
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Unaudited

Program receipts account for less than 2 percent of the total receipts for the Library in each of three years presented. The sexennial real estate reappraisal for Mahoning County resulted in reduced collections in 2013 and 2012 as compared to 2011 for both the Property and Other Local Taxes Receipts and the Grants and Entitlements – two of the larger revenue streams for the Library that are approximately 57 percent of total revenue. The next largest revenue item - Public Library Fund amounted to 40 percent of total revenue during this three year period of time.

Disbursements for 2013 and 2012 were increased over 2011 due primarily to capital outlay for the new Tri-Lakes Branch building which opened its doors in 2013.

Governmental Activities

If you look at the Statement of Activities on page 12 for 2013 and page 17 for 2012, you will see the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. In 2013, the major program disbursements for governmental activities are for Public Service and Programs, Collection Development and Processing, Capital Outlay and Facilities Operations and Maintenance and Business Administration which account for 43.9 percent, 16 percent, 13.9 percent, 12.9 percent and 11.4 percent respectively for 2013 and 46.9 percent, 16 percent 9.1 percent, 14 percent and 11.8 percent respectively for 2012. The next column on the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	2011	2013	2012	2011
Library Services:						
Public Services and Programs	(\$6,275,694)	(\$6,128,848)	(\$6,186,809)	(\$6,001,824)	(\$5,856,313)	(\$5,897,933)
Collection Development and Processing	(2,282,769)	(2,083,939)	(1,932,823)	(2,282,769)	(2,083,939)	(1,932,823)
Support Services:						
Facilities Operation and Maintenance	(1,842,978)	(1,832,604)	(1,782,228)	(1,842,978)	(1,832,604)	(1,782,228)
Information Services	(267,738)	(277,501)	(260,075)	(267,738)	(277,501)	(260,075)
Business Administration	(1,625,540)	(1,538,836)	(1,592,616)	(1,625,540)	(1,538,836)	(1,592,616)
Capital Outlay	(1,992,818)	(1,193,153)	(375,861)	(1,967,157)	(1,184,727)	(340,492)
Total Governmental Activities	<u>(\$14,287,537)</u>	<u>(\$13,054,881)</u>	<u>(\$12,130,412)</u>	<u>(\$13,988,006)</u>	<u>(\$12,773,920)</u>	<u>(\$11,806,167)</u>

The table above illustrates that over 98 percent of disbursements were supported through tax receipts, the PLF and other general revenues for 2013 and 2012.

Reuben McMillan Free Library Association
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

The Library's Funds

Total governmental funds had receipts of \$18,706,711 and disbursements of \$14,287,537 in 2013, and had receipts of \$18,484,672 and disbursements of \$13,054,881 in 2012.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During fiscal years 2013 and 2012 the budget was stable.

The General Fund is the chief operating fund of the Library. At the end of 2013, the unassigned fund balance of the General Fund was \$3,260,804 while the total balance in the Fund was \$3,729,235. At the end of 2012, the unassigned balance was \$3,280,546 of a total balance in the Fund of \$3,884,810. For 2013, the original budgeted receipts were \$18,235,670 while actual receipts were \$18,595,107. For 2012 the original budgeted receipts were \$18,026,519 while actual receipts were \$18,399,233.

Capital Assets and Debt Administration

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Although the Library does track these items, they are not reflected as assets in the accompanying financial statements.

Debt

The Library has a long standing practice of saving for capital projects over a period of time and as such remains debt free.

Current Issues

A major challenge is the uncertainty of the future of state funding along with the real estate reappraisals that occur every three years. These impact the receipts of PLF and property tax collections which account for about 98 percent of the Library's revenue stream.

The Library has a 1.8 mill and a 1.00 mill levy that will expire at the end of calendar year 2014 (collection year 2015). As such the Library will face going back on the ballot with a levy request in November of 2014 to replace these.

New strategic and facilities plans are being finalized that will flow forward from existing plans and that incorporate community input and an updated facilities analysis. It is anticipated this process will be followed up with a new technology plan. Once completed the Library will continue to move forward with initiatives to bring the plans to life.

Contacting the Library's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Merriman, Fiscal Officer, The Reuben McMillan Free Library Association (also known as The Public Library of Youngstown and Mahoning County), 305 Wick Avenue, Youngstown, Ohio 44503.

Reuben McMillan Free Library Association
Statement of Net Position - Modified Cash Basis
December 31, 2013

	Governmental Activities	Total
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,208,520	\$9,208,520
Investments	19,759,364	19,759,364
<i>Total Assets</i>	\$28,967,884	\$28,967,884
 Net Position		
Unrestricted	\$28,967,884	\$28,967,884
<i>Total Net Position</i>	\$28,967,884	\$28,967,884

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2013

	General	Building & Repair Fund	Technology Development Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$977,759	\$7,740,808	\$489,953	\$9,208,520
Investments	2,751,476	16,857,888	150,000	19,759,364
<i>Total Assets</i>	<u>\$3,729,235</u>	<u>\$24,598,696</u>	<u>\$639,953</u>	<u>\$28,967,884</u>
Fund Balances				
Committed	\$0	\$350,220	\$0	\$350,220
Assigned	468,431	24,248,476	639,953	25,356,860
Unassigned (Deficit)	3,260,804	0	0	3,260,804
<i>Total Fund Balances</i>	<u>\$3,729,235</u>	<u>\$24,598,696</u>	<u>\$639,953</u>	<u>\$28,967,884</u>

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association

Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

For the Year Ended December 31, 2013

	General	Building and Repair Fund	Technology Development Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$9,199,333	\$0	\$0	\$0	\$9,199,333
Public Library	7,573,141	0	0	0	7,573,141
Intergovernmental	1,435,514	0	0	1,260	1,436,774
Patron Fines and Fees	256,474	0	0	0	256,474
Contributions, Gifts and Donations	17,396	25,661	0	0	43,057
Earnings on Investments	10,045	81,179	2,854	0	94,078
Miscellaneous	103,204	650	0	0	103,854
<i>Total Receipts</i>	<u>18,595,107</u>	<u>107,490</u>	<u>2,854</u>	<u>1,260</u>	<u>18,706,711</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	6,274,434	0	0	1,260	6,275,694
Collection Development and Processing	2,282,769	0	0	0	2,282,769
Support Services:					
Facilities Operation and Maintenance	1,842,978	0	0	0	1,842,978
Information Services	267,738	0	0	0	267,738
Business Administration	1,613,985	11,355	200	0	1,625,540
Capital Outlay	83,778	1,576,704	332,336	0	1,992,818
<i>Total Disbursements</i>	<u>12,365,682</u>	<u>1,588,059</u>	<u>332,536</u>	<u>1,260</u>	<u>14,287,537</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,229,425</u>	<u>(1,480,569)</u>	<u>(329,682)</u>	<u>0</u>	<u>4,419,174</u>
Other Financing Sources (Uses)					
Transfers In	0	6,135,000	250,000	0	6,385,000
Transfers Out	(6,385,000)	0	0	0	(6,385,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,385,000)</u>	<u>6,135,000</u>	<u>250,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(155,575)	4,654,431	(79,682)	0	4,419,174
<i>Fund Balances Beginning of Year</i>	3,884,810	19,944,265	719,635	0	24,548,710
<i>Fund Balances End of Year</i>	<u>\$3,729,235</u>	<u>\$24,598,696</u>	<u>\$639,953</u>	<u>\$0</u>	<u>\$28,967,884</u>

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$9,111,397	\$9,199,333	\$9,199,333	\$0
Public Library	7,409,066	7,573,141	7,573,141	0
Intergovernmental	1,361,473	1,435,514	1,435,514	0
Patron Fines and Fees	268,600	256,474	256,474	0
Contributions, Gifts and Donations	0	17,396	17,396	0
Earnings on Investments	14,000	10,045	10,045	0
Miscellaneous	71,134	103,204	103,204	0
<i>Total Receipts</i>	18,235,670	18,595,107	18,595,107	0
Disbursements				
Current:				
Library Services:				
Public Services and Programs	7,070,504	6,310,414	6,302,593	7,821
Collection Development and Processing	3,270,647	2,582,354	2,541,855	40,499
Support Services:				
Facilities Operation and Maintenance	2,520,622	1,988,587	1,958,383	30,204
Information Services	323,414	300,666	300,447	219
Business Administration	2,087,531	1,646,093	1,643,265	2,828
Capital Outlay	184,442	87,572	87,570	2
<i>Total Disbursements</i>	15,457,160	12,915,686	12,834,113	81,573
<i>Excess of Receipts Over (Under) Disbursements</i>	2,778,510	5,679,421	5,760,994	81,573
Other Financing Sources (Uses)				
Transfers Out	(3,300,000)	(6,385,000)	(6,385,000)	0
<i>Total Other Financing Sources (Uses)</i>	(3,300,000)	(6,385,000)	(6,385,000)	0
<i>Net Change in Fund Balance</i>	(521,490)	(705,579)	(624,006)	81,573
<i>Unencumbered Fund Balance Beginning of Year</i>	3,280,546	3,280,546	3,280,546	0
Prior Year Encumbrances Appropriated	604,264	604,264	604,264	0
<i>Unencumbered Fund Balance End of Year</i>	\$3,363,320	\$3,179,231	\$3,260,804	\$81,573

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Net Position - Modified Cash Basis
December 31, 2012

	Governmental Activities	Total
Assets		
Equity in Pooled Cash and Cash Equivalents	\$8,933,289	\$8,933,289
Investments	15,615,421	15,615,421
<i>Total Assets</i>	<u>\$24,548,710</u>	<u>\$24,548,710</u>
Net Position		
Unrestricted	<u>\$24,548,710</u>	<u>\$24,548,710</u>
<i>Total Net Position</i>	<u>\$24,548,710</u>	<u>\$24,548,710</u>

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Activities - Modified Cash Basis
 December 31, 2012

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Library Services:					
Public Services and Programs	\$6,128,848	\$272,535			(\$5,856,313)
Collection Development and Processing	2,083,939				(2,083,939)
Support Services:					
Facilities Operation and Maintenance	1,832,604				(1,832,604)
Information Services	277,501				(277,501)
Business Administration	1,538,836				(1,538,836)
Capital Outlay	1,193,153			\$8,426	(1,184,727)
<i>Total Governmental Activities</i>	<u>\$13,054,881</u>	<u>\$272,535</u>	<u>\$0</u>	<u>\$8,426</u>	<u>(12,773,920)</u>
		General Receipts:			
					9,142,787
					7,409,066
					1,427,924
					86,570
					137,364
					<u>18,203,711</u>
					Change in Net Position 5,429,791
					<u>Net Position Beginning of Year 19,118,919</u>
					<u>Net Position End of Year \$24,548,710</u>

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Technology Development Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,884,810	\$4,578,812	\$469,667	\$8,933,289
Investments	0	15,365,453	249,968	15,615,421
<i>Total Assets</i>	<u>\$3,884,810</u>	<u>\$19,944,265</u>	<u>\$719,635</u>	<u>\$24,548,710</u>
Fund Balances				
Committed	\$0	\$1,204,630	\$0	\$1,204,630
Assigned	604,264	18,739,635	719,635	20,063,534
Unassigned (Deficit)	3,280,546	0	0	3,280,546
<i>Total Fund Balances</i>	<u>\$3,884,810</u>	<u>\$19,944,265</u>	<u>\$719,635</u>	<u>\$24,548,710</u>

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General	Building and Repair Fund	Technology Development Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$9,142,787	\$0	\$0	\$0	\$9,142,787
Public Library	7,409,066	0	0	0	7,409,066
Intergovernmental	1,423,703	0	0	4,221	1,427,924
Patron Fines and Fees	272,535	0	0	0	272,535
Contributions, Gifts and Donations	0	8,426	0	0	8,426
Earnings on Investments	13,778	70,292	2,500	0	86,570
Miscellaneous	137,364	0	0	0	137,364
<i>Total Receipts</i>	<u>18,399,233</u>	<u>78,718</u>	<u>2,500</u>	<u>4,221</u>	<u>18,484,672</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	6,124,627	0	0	4,221	6,128,848
Collection Development and Processing	2,083,939	0	0	0	2,083,939
Support Services:					
Facilities Operation and Maintenance	1,832,604	0	0	0	1,832,604
Information Services	277,501	0	0	0	277,501
Business Administration	1,528,349	10,279	208	0	1,538,836
Capital Outlay	84,167	759,989	348,997	0	1,193,153
<i>Total Disbursements</i>	<u>11,931,187</u>	<u>770,268</u>	<u>349,205</u>	<u>4,221</u>	<u>13,054,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,468,046</u>	<u>(691,550)</u>	<u>(346,705)</u>	<u>0</u>	<u>5,429,791</u>
Other Financing Sources (Uses)					
Transfers In	0	6,150,000	300,000	0	6,450,000
Transfers Out	(6,450,000)	0	0	0	(6,450,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,450,000)</u>	<u>6,150,000</u>	<u>300,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	18,046	5,458,450	(46,705)	0	5,429,791
<i>Fund Balances Beginning of Year</i>	<u>3,866,764</u>	<u>14,485,815</u>	<u>766,340</u>	<u>0</u>	<u>19,118,919</u>
<i>Fund Balances End of Year</i>	<u>\$3,884,810</u>	<u>\$19,944,265</u>	<u>\$719,635</u>	<u>\$0</u>	<u>\$24,548,710</u>

See accompanying notes to the basic financial statements

Reuben McMillan Free Library Association
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$8,792,162	\$9,142,787	\$9,142,787	\$0
Public Library	7,409,442	7,409,066	7,409,066	0
Intergovernmental	1,359,758	1,423,703	1,423,703	0
Patron Fines and Fees	294,550	272,535	272,535	0
Services Provided to Other Entities	20	0	0	0
Earnings on Investments	20,000	13,778	13,778	0
Miscellaneous	150,587	137,364	137,364	0
<i>Total Receipts</i>	<i>18,026,519</i>	<i>18,399,233</i>	<i>18,399,233</i>	<i>0</i>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	7,078,324	6,225,970	6,220,670	5,300
Collection Development and Processing	3,039,232	2,328,606	2,275,040	53,566
Support Services:				
Facilities Operation and Maintenance	2,371,139	2,026,237	1,993,823	32,414
Information Services	319,797	308,906	306,086	2,820
Business Administration	2,132,472	1,661,417	1,631,223	30,194
Capital Outlay	185,807	108,622	108,609	13
<i>Total Disbursements</i>	<i>15,126,771</i>	<i>12,659,758</i>	<i>12,535,451</i>	<i>124,307</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>2,899,748</i>	<i>5,739,475</i>	<i>5,863,782</i>	<i>124,307</i>
Other Financing Sources (Uses)				
Transfers Out	(3,300,000)	(6,450,000)	(6,450,000)	0
<i>Total Other Financing Sources (Uses)</i>	<i>(3,300,000)</i>	<i>(6,450,000)</i>	<i>(6,450,000)</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>(400,252)</i>	<i>(710,525)</i>	<i>(586,218)</i>	<i>124,307</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>3,361,973</i>	<i>3,361,973</i>	<i>3,361,973</i>	<i>0</i>
Prior Year Encumbrances Appropriated	504,791	504,791	504,791	0
<i>Unencumbered Fund Balance End of Year</i>	<i>\$3,466,512</i>	<i>\$3,156,239</i>	<i>\$3,280,546</i>	<i>\$124,307</i>

See accompanying notes to the basic financial statements

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 - DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Reuben McMillan Free Library Association, Mahoning County, (the Library) as a body corporate and politic. The Library Board of Trustees appoints a seventeen-member Board of Trustees to govern the Library. Fifteen Trustees shall be elected by the Trustees, and shall serve three year terms with five being elected at each annual meeting. The Library provides the community with various educational and literary resources.

Reuben McMillan Free Library Association is a not-for-profit corporation which adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services to the citizens of Mahoning County.

The Library was established October 27, 1880, under the name "The Youngstown Library Association" and officially changed its legal name in 1898 to "The Reuben McMillan Free Library Association". The Library is also known as "The Public Library of Youngstown & Mahoning County".

Corporate Account

The Reuben McMillan Free Library Association maintains an account designated as the Library Foundation Account which contains private monies donated to the Library which are not public funds and which are not included on these financial statements. The account is subject to a separate audit and the audit report may be obtained from the Fiscal Officer of the Library.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; or the Library is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt, or the levying of taxes. The Library has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

As discussed further below, the financial statements of the Library have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The Library's most significant accounting principles are described below.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting (Continued)

The Library's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Library as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Library had no business-type activities during the year ended December 31, 2013 and 2012.

The Statement of Net Position presents the cash and investment balances of the governmental activities of the Library at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements - During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds:

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major Governmental Funds:

General Fund The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following Special Revenue Fund:

Connect Ohio Grant Fund – This fund received monies from the Connect Ohio Grant. Proceeds were used for technological equipment and basic computer training classes for the public as defined by the grant.

Capital Project Funds These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Building and Repair Fund – This fund received monies from investment earnings, contributions and miscellaneous income. Proceeds were used for buildings and building improvements.

Technology Development Fund – This fund received monies from investment earnings. Proceeds were used to purchase technological equipment.

Budgetary Process

The Board must annually approve appropriations measures and subsequent amendments. Encumbered appropriations do not lapse at year end. Budgetary expenditures (that is disbursements and encumbrances) may not exceed appropriations at the object level of control.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (Continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

Cash and Investments

Library records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments with an original maturity of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the modified cash basis of accounting the Library uses.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library applies restricted resources first when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The Library had no extraordinary items. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Library had no special items.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Capital Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end amounted to \$468,431 for December 31, 2013 and \$604,264 for December 31, 2012 for the General Fund. There were no outstanding advances at year end.

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by deposits maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENT (Continued)

Interim deposits are deposits of interim monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENT (Continued)

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depository agreement, by eligible securities pledged by the financial institution, by surety company bonds deposited with the financial institution or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository pursuant to an award of Library funds shall be required to pledge as security for repayment of all public monies eligible securities of aggregate market value equal to the required values

Deposits. At year-end, the carrying amount of the Library's deposits was \$6,783,300 and the bank balance was \$7,381,581. Of the bank balance \$260,072 was covered by Federal depository insurance, while \$7,121,509 was exposed to custodial credit risk because the securities were held by the pledging financial institutions trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At year end 2013 and 2012, the Library had \$2,325 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

Investments

As of December 31, 2013 the Library had the following investments:

Investment Type	2013			Moody Rating
	Cost Basis	% of Total	Maturity	
Certificates of Deposit/CDARs	\$ 2,251,476	10.15%	Less than one year	N/A - FDIC insured
Federal Farm Credit Bank	4,165,871	18.78	Less than three years	Aaa
Federal Home Loan Bank	2,707,219	12.20	Less than four years	Aaa
Federal Home Loan Mortgage Corp	4,986,728	22.48	Less than four years	Aaa
Federal National Mortgage Assoc	3,932,675	17.73	Less than four years	Aaa
Federated U.S. Treasury Money Market	2,422,895	10.92	Less than one year	Aaa
U.S. Treasury Bill	499,452	2.25	Less than one year	Aaa
U.S. Treasury Note	1,215,943	5.48	Less than four years	Aaa
	<u>\$22,182,259</u>	<u>100.00%</u>		

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENT (Continued)

Investments (Continued)

As of December 31, 2012 the Library had the following investments:

Investment Type	2012		% of Total	Maturity	Moody Rating
	Cost Basis				
Federal Farm Credit Bank	\$ 3,665,291		21.12%	Less than four years	Aaa
Federal Home Loan Bank	4,476,895		25.79	Less than four years	Aaa
Federal Home Loan Mortgage Corp	1,508,390		8.69	Less than four years	Aaa
Federal National Mortgage Assoc	3,850,168		22.18	Less than four years	Aaa
Federated U.S. Treasury Money Market	1,742,572		10.04	Less than one year	Aaa
U.S. Treasury Bill	1,148,497		6.62	Less than one year	Aaa
U.S. Treasury Note	966,180		5.57	Less than three years	Aaa
	<u>\$ 17,357,993</u>		<u>100.00%</u>		

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library does not have an investment policy beyond the requirements of State Statute. Ohio law addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterpart to a transaction, the Library will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Library's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the Library's investments are held in the name of the Library.

Concentration of Credit Risk The Library's investment policy places no limit on the amount that may be invested in any one issuer.

NOTE 5 - GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for most Ohio public libraries is the State Library and Public Library Fund (PLF). The PLF is allocated to each county based on the county's prior intangibles tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 5 - GRANTS-IN-AID AND TAX RECEIPTS (Continued)

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

For the period of the audit the Library had a 5-year 1 mill renewal levy that was passed starting with tax year 2010, collection year 2011. The Library also had a new 5-year 1.8 mill levy that was passed starting with tax year 2010, collection year 2011.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

The 2013 and 2012 member contribution rates were 10.00 percent of covered payroll for members in state and local classifications.

The Library's 2013 and 2012 contribution rate was 14.00 percent of covered payroll.

The Library's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$803,967, \$815,734, and \$829,969, respectively, which were equal to the required contributions for those years.

NOTE 7 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012 state and local employers contributed at a rate of 14.0% of covered payroll. These are the maximum employer contribution rates permitted by Ohio Revised code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for the members in the Traditional Plan was 1.0% for calendar year 2013 and 4.0% for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% for calendar year 2013 and 6.05% during calendar year 2012. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contributions that were used to fund post-employment benefits were \$57,403 for 2013, \$233,055 for 2012, and \$237,122 for 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library maintains comprehensive insurance with private carriers for real property, building contents, and vehicles. Vehicle policies include coverage for bodily injury and property damage. Real property and contents are 100% insured.

In addition to the coverage above, the Fiscal Officer and Deputy Fiscal Officer are bonded for \$25,000 each. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

NOTE 9 - LEASE OBLIGATIONS

The Library has entered into a lease agreement for a copier for the Administrative offices with an annual cost of \$3,948 that expires in August of 2014 along with a postage meter lease with a total annual cost of \$660.

NOTE 10 – CONTINGENCIES

GRANTS The Library receives financial assistance in the form of grants from various agencies. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Library.

NOTE 11 - FUND BALANCES

Fund balance is classified as committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2013				
Fund Balances	General	Building and Repair	Technology Development	Total
Committed to:				
New Canfield Branch Library	\$ -	\$ 350,220	\$ -	\$ 350,220
Assigned to:				
Operating Expenses	468,431	-	-	468,431
Capital projects	-	24,248,476	639,953	24,888,429
<i>Total Assigned</i>	468,431	24,248,476	639,953	25,356,860
Unassigned (Deficit)	3,260,804	-	-	3,260,804
<i>Total Fund Balances</i>	<u>\$ 3,729,235</u>	<u>\$ 24,598,696</u>	<u>\$ 639,953</u>	<u>\$ 28,967,884</u>
2012				
Fund Balances	General	Building and Repair	Technology Development	Total
Committed to:				
Tri-Lakes Branch construction	\$ -	\$ 1,204,630	\$ -	\$ 1,204,630
Assigned to:				
Operating Expenses	604,264	-	-	604,264
Capital projects	-	18,739,635	719,635	19,459,270
<i>Total Assigned</i>	604,264	18,739,635	719,635	20,063,534
Unassigned (Deficit)	3,280,546	-	-	3,280,546
<i>Total Fund Balances</i>	<u>\$ 3,884,810</u>	<u>\$ 19,944,265</u>	<u>\$ 719,635</u>	<u>\$ 24,548,710</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reuben McMillan Free Library Association, Mahoning County, (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 17, 2014, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 17, 2014



Dave Yost • Auditor of State

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2014**